



INTERNAL AUDIT DIVISION

REPORT 2015/167

Audit of contingent-owned equipment
in the United Nations Mission in the
Republic of South Sudan

Overall results relating to the effective management of contingent-owned equipment in the United Nations Mission in the Republic of South Sudan were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

9 December 2015
Assignment No. AP2015/633/08

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AUDIT REPORT

Audit of contingent-owned equipment in the United Nations Mission in the Republic of South Sudan

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of contingent-owned equipment (COE) in United Nations Mission in the Republic of South Sudan (UNMISS).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations, and rules.
3. UNMISS had 24 military and three police contingents with over 7,561 pieces of major equipment. The United Nations reimburses troop-/police-contributing countries (T/PCCs) for COE and self-sustainment based on quarterly verification reports prepared by the Mission. Reimbursements to T/PCCs are limited to those items of serviceable major equipment (including associated minor equipment and consumables) agreed to by the United Nations and the T/PCC. UNMISS budgets for 2013/14 and 2014/15 budgets for COE, self-sustainment and related freight were \$140.4 million and \$142.2 million, respectively.
4. The Departments of Peacekeeping Operations and Field Support (DPKO/DFS) are responsible for ensuring the establishment and amendment of the memoranda of understanding (MoUs) between the United Nations and T/PCCs to govern the contribution of personnel, equipment, supplies and services to UNMISS. As of 31 October 2015, UNMISS had 29 MoUs including 18 signed and 11 in draft. The COE/MoU Management Review Board (CMMRB) of UNMISS is responsible for overseeing the management of COE, reviewing the major and minor equipment and self-sustainment capabilities, and making recommendations to the Mission and DPKO/DFS on corrective actions required. The UNMISS COE Unit within the Mission Support Centre is responsible for the day-to-day management of MoUs including verification and reporting related to COE and self-sustainment. The Unit is headed by a staff at the P-4 level who is supported by six international staff, five military staff officers, one United Nations police officer, three United Nations volunteers and one national staff. The COE Unit reports to the Chief of the Mission Support Centre. The 2014/15 budgeted staff costs for the COE Unit were \$899,500. The Unit conducted 300 inspections for the period January 2014 to June 2015.
5. Comments provided by UNMISS are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNMISS governance, risk management and control processes in providing reasonable assurance regarding the **effective management of COE in UNMISS**.
7. The audit was included in the 2015 risk-based work plan of OIOS because of the operational and financial risks related to COE in UNMISS.
8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that policies and procedures:

(a) exist to adequately guide the management of COE in UNMISS; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.

9. The key control was assessed for the control objectives shown in Table 1.

10. OIOS conducted the audit from July to October 2015. The audit covered the period from 1 January 2014 to 30 June 2015. OIOS made site visits to four contingent locations to observe 17 inspections, COE and self-sustainment arrangements.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key control in mitigating associated risks. Through interviews and analytical reviews, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. The UNMISS governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of COE in UNMISS**. OIOS made four recommendations to address the issues identified. UNMISS had: conducted the required periodic and operational readiness inspections of major equipment and self-sustainment; and adequately documented inspections and accurately updated the COE database (eCOE) based on inspection worksheets. However, UNMISS needed to: (a) ensure CMMRB addresses and recommends remedial actions related to all COE issues, including possible surplus COE, and establishes a mechanism to follow up recommendations made by the CMMRB; (b) expedite the recruitment of inspectors; (c) deploy technical expertise to COE inspection teams; and (d) ensure contingents promptly submit the required reports with accurate information on the status of their equipment.

13. The initial overall rating was based on the assessment of key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of three important recommendations remains in progress.

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of COE in UNMISS	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Regulatory framework

The functioning of the COE/MoU Management Review Board needed improvement

14. The COE Manual requires UNMISS to establish a CMMRB to oversee the COE programme. The main functions of CMMRB include: (a) reviewing compliance of T/PCCs with the terms of their MoUs with the United Nations, and compliance of the Mission with established COE verification and reporting procedures; (b) identifying optimal utilization of related resources and cost-effective support solutions; (c) reviewing UNMISS-specific requirements, standards and scales for facilities, equipment and supplies associated with self-sustainment; (d) reviewing the results of operational readiness inspections and analysing shortfalls, surpluses and deficiencies; and (e) recommending remedial actions to the Director of Mission Support or DPKO/DFS.

15. A review of the minutes of CMMRB meetings indicated that UNMISS properly established a CMMRB, with appropriate terms of reference. The CMMRB convened six times during the audit period and: reviewed compliance of T/PCCs with MoUs; reviewed compliance of the Mission with COE verification and reporting procedures; reviewed the results of operational readiness inspections; and recommended remedial actions to the Director of Mission Support and DPKO/DFS. However, DPKO/DFS had not yet resolved the following important issues:

- The operation plan for two engineering contingents contained provisions restricting their movement and operational activities within and near state capitals. As a result, the engineering assets of these contingents were not used in some locations of the Mission where they were needed the most. In the absence of MoUs to govern the operations of these contingents, CMMRB requested in its meeting on 30 September 2014 for clarification on restrictions in operational plans; however, the Mission had not obtained the clarification from DPKO/DFS and the contingents continued to be precluded from performing engineering tasks where they were most needed;
- A horizontal military engineering company arrived in March 2014 with only 65 per cent of the required major equipment. The Director of Mission Support communicated with DFS on 14 August 2014 seeking clarification from the TCC on the status of the remaining 35 per cent and subsequently, the CMMRB highlighted this shortfall in its 30 September 2014 meeting;
- Approximately 50 per cent of the major equipment of an infantry battalion required replacement or spare parts to make it serviceable; and
- The MoUs related to 11 contingents had not been signed by the relevant T/PCCs.

16. Additionally, a review of the COE status report for the quarter ended 30 June 2015 indicated that CMMRB had not effectively addressed possible surplus COE. For example, 13 contingents had 155 fuel-carrying trucks and trailers although the Mission had a turnkey fuel contract through which it delivered fuel to all contingent locations. The United Nations reimbursed the TCCs up to \$2.4 million per year for these COE. Furthermore, a review of the eCOE system indicated that 20 contingents deployed 1,378 surplus items and another 20 contingents did not provide 1,926 items as per the MoUs. The CMMRB discussed the shortfalls; however, there was no evidence that it discussed possible surpluses.

17. The above resulted because the Mission did not implement an effective mechanism to ensure the CMMRB promptly addressed and recommended remedial actions related to all issues, and that its recommendations were addressed. As a result, there was a risk that UNMISS COE operations were not

fully cost-effective and some contingents were not adequately equipped to implement their mandated tasks. For example, the military engineering company in Malakal and Bentiu lacked the equipment to adequately perform its mandated tasks; the Mission had to hire heavy equipment in Bentiu at more than \$1 million to perform engineering and construction works.

(1) UNMISS should implement an effective mechanism to ensure: the Contingent-Owned Equipment/Memorandum of Understanding Management Review Board addresses and recommends remedial actions related to all issues such as possible surplus COE; and the Board's recommendations are effectively followed up.

UNMISS accepted recommendation 1 and stated that CMMRB:(a) reviewed and approved the agenda for its next meeting to ensure that it addressed and recommended remedial actions related to all issues; and (b) established a working group to analyse and identify surplus COE including fuel-carrying equipment taking into account the operational requirements. UNMISS also stated that it officially requested DPKO/DFS for an update on the outstanding recommendations of CMMRB on 31 July and 30 September 2015. Based on the actions taken by UNMISS, and OIOS verification of the evidence provided, recommendation 1 has been closed.

Need for the Mission to deploy the required number of inspectors and technical experts

18. The COE Manual requires the COE Unit to conduct operational readiness inspections at least once every six months. The COE Implementation Guidelines require the Mission to carry out periodic inspections, supplemented by spot checks throughout the quarterly inspection cycle to ensure COE and self-sustainment categories are physically verified to enhance continuous and effective monitoring. The COE Unit is required to prepare inspection schedules in collaboration with military units and establish inspection teams comprising staff of the COE Unit and, where necessary, representatives of the Mission Support Centre and qualified personnel from Force Headquarters. Inspection teams are expected to use proper tools including worksheets for verification and inspection of all major equipment and self-sustainment capabilities. UNMISS is required to submit to DFS arrival, operational readiness, periodic and repatriation inspection reports.

19. The work done in this area consisted of: a review of the operational readiness and periodic inspections reporting process; observation of 17 inspections in Malakal, Bentiu, Renk and Juba; and review of 50 of the 144 operational readiness inspection reports, 50 of the 128 periodic inspection reports, and 40 of the 140 verification worksheets for the period 1 January 2014 to June 2015. This work indicated that the COE Unit:

- Adequately planned and prepared inspection schedules in collaboration with the relevant military units;
- Established inspection teams for operational readiness inspections comprising staff of the COE Unit and, where necessary, representatives from Military Operations, the Joint Logistics Operations Centre, the Medical Unit, and the Supply and Transport Sections;
- Completed all 144 of the required operational readiness inspections as well as all 128 required periodic inspections and submitted the related reports to DFS; and
- Adequately inspected the status of the operational readiness of military units in terms of their major equipment and self-sustainment capabilities. Inspection teams: used eCOE-generated inspections worksheets for all major equipment; verified and established the categories, groups,

number of COE, and the military units' self-sustainment levels; and assessed the operational capabilities of military units in accordance with the MoUs. The inspection dates, number and types of equipment recorded on the original inspection worksheets matched the information on the verification reports in the database.

20. For 10 of 17 observed inspections; however, there was only one inspector from the COE Unit instead of a team, and for 14 inspections, there were no representatives from the relevant technical sections such as medical, transport and ammunition. This lack of expertise affected the effectiveness of the quality of the inspections regarding the serviceability of the equipment, particularly for arrival inspections.

21. The above resulted because of insufficient inspectors as the COE Unit had three vacant inspector posts. In addition, the Mission did not implement effective procedures to ensure the deployment of technical staff with the inspection teams. As a result, there was a risk that inspections did not accurately identify and report the conditions and serviceability of COE. For example, in three inspections, the vehicles' engine and serial numbers were not listed on the inspection worksheets and the serial numbers of several firearms were inaccurate.

(2) UNMISS should expedite the recruitment of the approved posts for inspectors.

UNMISS accepted recommendation 2 and stated that it recruited a United Nations volunteer and initiated the recruitment for the remaining two international posts. Recommendation 2 remains open pending receipt of evidence that UNMISS has completed the recruitment of two inspectors.

(3) UNMISS should implement an effective mechanism to ensure the deployment of the required technical expertise with the contingent-owned equipment inspection teams.

UNMISS accepted recommendation 3 and stated that it deployed the required technical expertise with the inspection teams and the Director of Mission Support would issue instructions to all relevant sections/units during operational readiness inspections to ensure this practice was consistently complied with. Recommendation 3 remains open pending receipt of evidence that UNMISS has implemented an effective mechanism to ensure the deployment of the required technical experts with the COE inspection teams.

Monthly equipment serviceability reports submitted by contingents were not accurate and complete

22. The COE Field Implementation Guidelines on Contingent Self-Reporting requires contingents to submit to the COE Unit monthly equipment serviceability reports (MESRs) for use in the continuous monitoring of the status of COE and for updating the COE database. This database is used in preparing verification reports for processing reimbursements and to evaluate the serviceability of contingents' major equipment. The COE Unit is responsible for implementing procedures to ensure the accuracy and timeliness of MESRs and hence the COE database.

23. A review of 44 of the 140 verification reports showed that inspection results were adequately documented and updated in the COE database. Data from verification reports was entered in the database by a COE inspector, checked by a team leader and validated by the Chief of the COE Unit. However, a review of MESRs submitted by contingents indicated that, from January 2014 to June 2015, contingents did not submit 291 (or 68 per cent) of the required 429 MESRs. A review of 50 of the 138 available MESRs submitted by contingents to the COE Unit indicated control weaknesses, as shown in the following examples:

- In four instances, a contingent reported that 104 COE were serviceable although 23 (22 per cent) were unserviceable as per COE verification reports for the same periods;
- In 32 cases, the use of equipment was not indicated in the report;
- In 10 cases, MESRs did not include odometer readings for vehicles;
- In 10 instances, the serviceability status of major equipment was not provided; and
- In 22 instances, the MESRs for four contingents did not include fuel consumption for vehicles and generators.

24. The above resulted because the COE Unit did not implement effective procedures for the monitoring of reporting requirements, ensuring prompt reviews of the monthly equipment serviceability reports of contingents, and providing feedback. As a result, there was a risk that the COE database was inaccurate and thus not useful for monitoring purposes.

(4) UNMISS should implement procedures including: periodic monitoring of the serviceability reporting requirements of contingents; and reviewing the serviceability reports and providing feedback with respect to identified deficiencies to ensure the contingents promptly submit the required reports with accurate information on the status of their equipment.

UNMISS accepted recommendation 4 and stated that it: introduced standard operating procedures on MESRs on 1 September 2015; promulgated standard operating procedures to all formed units on 31 August 2015; and assigned two staff focal points to follow up and monitor the submission of MESRs. Recommendation 4 remains open pending receipt of evidence that UNMISS has implemented effective procedures to ensure contingents promptly submit the MESRs with accurate information on the status of their equipment.

IV. ACKNOWLEDGEMENT

25. OIOS wishes to express its appreciation to the management and staff of UNMISS for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General, Acting Head
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of contingent-owned equipment in the United Nations Mission in the Republic of South Sudan

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNMISS should implement an effective mechanism to ensure: the Contingent-Owned Equipment/Memorandum of Understanding Management Review Board addresses and recommends remedial actions related to all issues such as possible surplus COE; and the Board's recommendations are effectively followed up.	Important	C	Action taken	Implemented
2	UNMISS should expedite the recruitment of the approved posts for inspectors.	Important	O	Receipt of evidence that UNMISS has completed the recruitment of two inspectors.	30 July 2016
3	UNMISS should implement an effective mechanism to ensure the deployment of the required technical expertise with the contingent-owned equipment inspection teams.	Important	O	Receipt of evidence that UNMISS has implemented an effective mechanism to ensure the deployment of the required technical experts with the COE inspection team.	30 June 2016
4	UNMISS should implement procedures including: periodic monitoring of the serviceability reporting requirements of contingents; and reviewing the serviceability reports and providing feedback with respect to identified deficiencies to ensure the contingents promptly submit the required reports with accurate information on the status of their equipment.	Important	O	Receipt of evidence that UNMISS has implemented effective procedures to ensure contingents promptly submit the required MESR with accurate information on the status of their equipment.	31 March 2016

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNMISS in response to recommendations.

APPENDIX I

Management Response



UNITED NATIONS MISSION IN THE REPUBLIC OF SOUTH SUDAN
UNMISS

INTEROFFICE MEMORANDUM

DATE: 4 December 2015

TO: Ms. Eleanor T. Burns, Director
Internal Audit Division, OIOS

FROM: Ms. Stephani L. Scheer
Director of Mission Support
United Nations Mission in South Sudan

SUBJECT: **Draft Report on an audit of contingent-owned equipment in the United Nations Mission in the Republic of South Sudan (Assignment No. AP2015/633/08)**

1. Reference is made to your memorandum dated 25 November 2015 on a draft report on an audit of contingent-owned equipment in UNMISS.
2. On behalf of UNMISS Special Representative of the Secretary-General, Ms. Ellen Margrethe Løj, please find attached UNMISS comments on the recommendations listed in Appendix 1 of the draft report together with its four annexes.
3. UNMISS would like to take this opportunity to express its appreciation for the work of the auditors and for the valuable recommendations made by the auditors as a result of this audit.

Thank you and best regards

cc: Mr. Bolton Tarleh Nyema, Chief Peacekeeping Audit Services, Internal Audit Division, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS
Ms. Ellen Margrethe Løj, Special Representative of the Secretary-General, UNMISS
Mr. Paul Egunsola, Chief of Staff, UNMISS
Mr. Greg Tasker, Chief Mission Support Centre, UNMISS
Mr. Anton Ivanov, Chief Contingent-Owned Equipment Unit, UNMISS
Ms. Corinne Clavé, Audit Focal Point, UNMISS

Management Response

Audit of contingent-owned equipment in the United Nations Mission in the Republic of South Sudan

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNMISS should implement an effective mechanism to ensure: the Contingent-Owned Equipment/Memorandum of Understanding Management Review Board addresses and recommends remedial actions related to all issues such as possible surplus COE; and the Board's recommendations are effectively followed up and implemented.	Important	Yes	Chief Contingent- Owned Equipment	Implemented	<p>UNMISS accepts the recommendations and wishes to thank the auditors for acknowledging that UNMISS properly established a Contingent-Owned Equipment/Memorandum of Understanding Management Review Board (CMMRB) with appropriate terms of reference.</p> <p>In order to ensure that the CMMRB addresses and recommends remedial actions related to all issues, an agenda for each meeting is set and approved by the members of the CMMRB for its next meeting. Furthermore, it is circulated to the board members for inputs prior to the meeting as required (a sample of a CMMRB agenda was provided to OIOS). With regards to the specific issue related to possible COE surplus, UNMISS wishes to advise that in its latest CMMRB meeting held on 1 September 2015 the eventual surplus of fuel carrying equipment was addressed and a Working Group consisted of Force Headquarters officers, Fuel Unit and COE staff members was established in order to analyze and identify the eventual surplus taking into account the operational requirements and minimum capacity required (Minutes of CMMRB meeting held on September,</p>

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of contingent-owned equipment in the United Nations Mission in the Republic of South Sudan

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>1 2015 showing that this working group has to report its finding to the next CMMRB scheduled in February 2016 was provided to OIOS.</p> <p>With regards to the follow-up of CMMRB outstanding recommendations, the update on the status of such recommendations has become a permanent point on the agenda of the CMMRB as confirmed during the last CMMRB meeting held on 1 September 2015. Furthermore, on issues which require UNHQ follow-up, the Mission has already officially requested UNHQ to follow up and provide an update on the outstanding recommendations (samples of two facsimiles to UNHQ dated 31 July 2015 and 30 September 2015 respectively were provided to OIOS).</p> <p>In view of the above, the Mission considers this recommendation as implemented.</p>
2	UNMISS should expedite the recruitment of the approved posts for inspectors.	Important	Yes	Chief Contingent- Owned Equipment	30 July 2016	<p>UNMISS accepts the recommendation and wishes to provide the following comments:</p> <ul style="list-style-type: none"> - Since the audit, the recruitment of a United Nations Volunteer has been finalized. She is on board since 23 October 2015. - A recruitment from the roster for the two remaining international posts for inspection approved in the budget has been initiated.

Management Response

Audit of contingent-owned equipment in the United Nations Mission in the Republic of South Sudan

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						The target date of implementation of this recommendation is 30 July 2016.
3	UNMISS should implement an effective mechanism to ensure the deployment of the required technical expertise with the contingent-owned equipment inspection teams.	Important	Yes	Chief Contingent- Owned Equipment	30 June 2016	UNMISS accepts the recommendation and wishes to clarify that even if the deployment of the required technical expertise with the inspection teams is a standard practice for UNMISS there have been a few cases where technical experts and/or medical personnel were not present. In order to address this issue an Inter-Office Memorandum from the Director of Mission Support will be issued to all relevant sections/units during the Operational Readiness Inspection. The target date of implementation of this recommendation is 30 June 2016.

Management Response

Audit of contingent-owned equipment in the United Nations Mission in the Republic of South Sudan

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	UNMISS should implement procedures including: periodic monitoring of the serviceability reporting requirements of contingents; and reviewing the serviceability reports and providing feedback with respect to identified deficiencies to ensure the contingents promptly submit the required reports with accurate information on the status of their equipment.	Important	Yes	Chief Contingent- Owned Equipment	31 March 2016	<p>UNMISS accepts the recommendation and wishes to provide the following comments and clarifications:</p> <p>UNMISS specific Standard Operating Procedures on Monthly Equipment Serviceability Report (MESR) has been introduced with effect on 1 September 2015. The SOP was promulgated to all uniformed units on 31 August 2015.</p> <p>The COE unit has assigned two of its staff members as focal points to follow-up and monitor all the Monthly Equipment Serviceability Reports to ensure that they are submitted on time and with all requisites as per the aforementioned SOP.</p> <p>The target date of implementation of this recommendation is 31 March 2016.</p>